

**SUBMITTED TESTIMONY OF THE INDEPENDENT INSURANCE AGENTS IOWA  
BEFORE THE HOUSE AGRICULTURE COMMITTEE, SUBCOMMITTEE ON  
GENERAL FARM COMMODITIES AND RISK MANAGEMENT REGARDING THE  
FEDERAL CROP INSURANCE PROGRAM**

**April 30, 2010**

The Independent Insurance Agents of Iowa (IIAI) represents the business interests of almost every Iowa independent insurance agency. We are proud to report 720 member agencies, who serve the citizens of Iowa with another 291 branch offices, more than a thousand door fronts located in virtual every town in the state, we represent over 8,000 licensed Iowa agents. We also have 97 companies who give IIAI support by being Affiliate members. We appreciate the opportunity to provide our perspective today on the important role independent agents play in the delivery of the Federal Crop Insurance Program (FCIP). Independent agents offer all lines of insurance – property, casualty, life, health, employee benefit plans, and retirement products. Our agents live in their communities and serve the needs of the communities not only offering of insurance products but also typically serve as key leaders, for example serving as volunteer firefighters, youth leaders, school board and City Council members. The typical agency employs licensed support-staff who help in servicing of the products, in addition to the writing agent. They have considerable overhead; computers with downloadable fast internet connections to the companies, office space, advertising, auto, payroll, insurance (Liability, Workers' Compensation, Health) taxes and other expenses which must be paid out of the commission they collect from selling insurance products.

***Private Delivery of the Federal Crop Insurance Program***

From 1938 until 1981, the United States Department of Agriculture (USDA) was solely responsible for delivering the federal crop insurance program. Beginning in 1981 and

continuing until the late 1980s, Congress began a transition period when the federal crop insurance program was delivered by both the USDA, through a structure known as “master marketers,” as well as private sector companies, through a structure known as the “standard reinsurance agreement” (SRA).

In mandating this transition, Congress recognized that “the sales talents and experience of the private sector commissioned agents . . . are essential to fulfilling the goal of nationwide, generally accepted all-risk insurance protection.” As a result, Congress placed the “large burden of program delivery” on agents’ shoulders and required them to provide “full service to the client” including, but not limited to, sales.

Crop insurance agents have proved instrumental in achieving the program’s goal of helping farmers make well-informed risk assessments and choices about the coverage that they purchase. These agents are knowledgeable about the technicalities of the crop insurance program and skilled at assisting farmers with concerns that directly impact their coverage, such as unit structures and yield guarantee weaknesses. They also have the training and experience necessary to encourage participation of small, limited resource and minority producers, as required under the SRA.

Statistics for the 2008 crop year, as reported by the Risk Management Agency (RMA), show how widely the program is accepted and utilized by farmers and how effectively and efficiently it serves their risk management and cash flow needs. For the 2008 crop year, the program provided coverage on more than 272 million acres across all 50 states, which is more than 80 percent of the insurable acreage, with liability protection totaling almost \$90 billion.

Today an agent does more work per policy than ever before. They do all the data entry, they keep the yield records per unit – not per policy. Reality is there is more work and expertise

required of an agent in servicing this product per acre. Crop insurance agents are proud to have been a partner in the successful expansion of this invaluable program for farmers.

### ***Agent Workload and Program Complexity***

Unlike the property-casualty insurance industry, a crop agent's responsibilities require a much more hands-on approach, which invariably increases the threshold for errors and omissions (E&O) exposure (Professional liability). On average, with advance meeting preparation, travel, and meeting time, an agent spends approximately 7 hours on a policy during the sales window alone. A transaction typically begins with the agent quoting the wide variety of different plans of insurance available (as many as 247 in some states) then explaining production reporting and supporting record requirements to the farmer. The agent explains different date requirements by crop and coverage for application, the actual production history (APH), the acreage report, and the farmer's options and claims. He completes APH-related forms for the farmer, calculates preliminary yields, reviews production early to determine if there is a revenue loss, reviews the APH form for completeness and accuracy, and forwards the signed form and any applicable worksheets to the company. The agent must also review approved APH from the company to ensure accuracy, explain approved APH yields to the farmer, and provide him with a copy.

Additionally, the agent is responsible for implementing procedures for Preventive Planting, Yield Adjustment, Unit Division changes, Power of Attorney requirements, or any of the other technical policy provisions. All of preceding goes into writing the policy – and does not even factor in the consequences of a potential loss, which occurs more often than any other line of insurance.

Compared to the sale of life, farmowners, homeowner's, or auto insurance, the sale of crop insurance is indeed extremely complex and challenging. Life, auto, farmowners and homeowner's insurance each only require one form (application) to fill out and file, and the claims made on those products are relatively rare in comparisons to crop insurance.

### ***Crop Insurance - an Indispensable Financing Tool***

The Federal Crop Insurance Program is an indispensable financing tool. Without crop insurance, many farmers would be unable to obtain financing. Crop insurance makes the process of farmers obtaining annual operating loans much easier and more efficient. In the case of farmers who have purchased crop insurance, banks usually require less collateral because they consider these farmers to be better protected. Many younger farmers with less collateral would be unable to obtain financing without crop insurance.

Farmers understand more and more that crop insurance is another cost of doing business. However, the purchasing cost of crop insurance provides certain benefits for the farming operation, including greater ability to finance land purchases, enter into land rental contracts, and arrange production input purchases. Protection provided by the program gives a lender much more confidence in extending credit.

### ***Standard Reinsurance Agreement***

I would like to thank you for your leadership during this difficult time in agriculture, and I would like to take this opportunity to express our concern, as Iowans, regarding components of the 2011 SRA renegotiation as outlined in the second draft released on February 23, 2010. The current draft, which fundamentally changes the delivery of the crop program, concerns us

because the proposals would impact Iowa disproportionately compared to the rest of the country. As a leader in crop insurance participation, the proposal to create reference prices for two staple crops in Iowa corn and soybeans would result in price cuts close to 30%. In 2009, insurance for these two crops represented \$735 million out of \$744 million (nearly 99 percent) in premiums written in Iowa. Additionally, Iowa will not receive the 5 percent delivery adjustment increase proposed for all other states because it falls into the State Group 1 category.

The reinsurance terms for State Group 1 also appear to reduce the potential underwriting gain of companies by nearly 30 percent, while increasing overall risk on the loss side. Clearly, this type of risk/reward change will force companies to consider changes to their participation in the crop program in Iowa, relative to other parts of the country. These proposed changes to the delivery cost system concern Iowans because of the disproportionate effect the changes have on our state. Our large agriculture economy employs thousands of workers and creates thousands of sustainable jobs. The number of agents and companies writing in Iowa make this program highly competitive. Jeopardizing the solid structure of the FCIP may have far reaching and unintended consequences for a state like Iowa whose economy depends so heavily on agriculture.

### ***Conclusion***

The IIAI thanks the Committee for allowing us to present this written testimony at today's hearing, and we would be happy to work with this Committee at any time to further explain the vital role that crop insurance agents play in the FCIP.

As this Committee and Congress begin to consider the 2012 Farm Bill, it is imperative that any and all proposals keep in mind the strength and security that the FCIP has brought to

American farmers, and the role that independent insurance agents have had in the success of the FCIP. In particular, we ask that the Committee take into account the increased efficiency of the private delivery of the FCIP over direct government sales, the small business jobs produced in rural America through the crop program, and the extraordinary workload crop insurance agents face as compared to other property and casualty insurance lines. The strength of the FCIP rests upon the partnership that exists between the government, insurance providers, agents, and farmers. We commend this Committee for continuing to examine ways to improve both these partnerships and the program, and we look forward to continuing to work with the Committee in this effort.

## Bob Skow, CPCU, CAE

Bob Skow graduated from Drake University, located in Des Moines, Iowa. A fourth generation Iowan he started his insurance career in 1974. Bob was employed by Employers Mutual Insurance Company and later by IMT Insurance Company. In 1978 he purchased a multi-line independent insurance agency in Guthrie Center, Iowa. He earned the Chartered Property Casualty Underwriter designation (CPCU) in 1979.

Bob was elected to the Iowa House of Representatives in 1982 and served three terms. Bob also served as a School Board member for the Johnston, Iowa Community School District.

Bob Skow was chosen as Iowa's Young Agent of the Year in 1984. He has received numerous awards. He has taught insurance training classes since 1982.

In 2007 he was honored by being placed in the Iowa Insurance Hall of Fame.

Bob resides with his wife, Connie, in rural Iowa.

Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Bob Skow
2. Business Address: 4000 Westown Parkway  
West Des Moines, IA 50266
3. Business Phone Number: (515) 223-6060, Ext. 13
4. Organization you represent: Independent Insurance Agents of Iowa
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:  
Chief Executive Officer of the Independent Insurance Agents of Iowa.  
A licensed insurance agent for all lines (including Crop) for 32 years.  
A member of the Iowa Insurance Hall of Fame.
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:  
Earned the highest professional insurance designation in 1979,  
Chartered Property and Casualty Underwriter (CPCU).
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:  
Chief Executive Officer

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.



Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Bob Skow  
Address: 4000 Westown Parkway  
Telephone: (515) 223-6060, Ext. 13

Organization you represent (if any): \_\_\_\_\_

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: No Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is **NOT** applicable to you: \_\_\_\_\_

Signature: 

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.